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DOI:

[10.1068/a38261](https://doi.org/10.1068/a38261)

*Document Version*

Early version, also known as pre-print

[Link to publication record in King's Research Portal](#)

*Citation for published version (APA):*

Pratt, A. C. (2006). Advertising and creativity, a governance approach: a case study of creative agencies in London. *Environment and Planning A*, 38(10), 1883-1899. <https://doi.org/10.1068/a38261>

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Pratt, A. C. (2006). Advertising and creativity, a governance approach: a case study of creative agencies in London. *Environment and Planning A*, 38(10), 1883-1899.

**The published version is available at:**

<http://dx.doi.org/10.1068/a38261>

**This version:**

<https://kclpure.kcl.ac.uk/portal/en/publications/advertising-and-creativity-a-governance-approach-a-case-study-of-creative-agencies-in-london%28213f0fe5-3319-4d02-865e-3ba1300daa0f%29.html>

Pratt, A. C. (2006). The definitive, peer-reviewed and edited version of this article is published in *Environment and Planning A*, 38(10), 1883-1899, 2006, <http://dx.doi.org/10.1068/a38261>

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Advertising and creativity, a governance approach: a case study of creative agencies in London.

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#### Abstract

*This paper explores the processes of restructuring in the UK advertising industry. Its core concern is with changes in advertising practice in creative advertising agencies. It explores how creativity is manifest as 'peer regard'. It shows how there has been a shift of power between 'creative' and 'media buying' functions as a result of the demise of the 'commission system' in the last 25 years. The paper highlights a changing governance of advertising practice that involves both formal regulation and economic governance in and across firms. The paper argues that creativity is better seen as an effect rather than a cause of particular advertising practices. The paper concludes that the 'creative governance' of the UK advertising industry has favoured a close-knit and co-located community of firms. A change in this form of governance could change this pattern.*

Paper submitted to a special theme issue of Environment and Planning A on creativity June 2005, Resubmitted October 2005

Advertising and creativity: a governance approach. A case study of creative agencies in London

## **1. Introduction**

Why do television adverts look so different in the Japan, US and the UK? Why are adverts produced by UK agencies seen as cutting edge creative productions when those of other countries are judged to be little more than banal calls to buy a particular product? This paper reports on part of a research project concerned with the nature, form and organisation of the advertising industry in the UK, US and Japan (see Kawashima 2006). Whilst there has been considerable interest in advertising, most of this has focused upon adverts as cultural texts, and the production of advertising. The form of the industry has received rather less attention, despite its economic import. The recent growth of interest in the creative industries has offered one way into this concern for economic geographers, organisational sociologists and anthropologists (see Nevett 1982; Perry 1990; Mattelart 1991; Leslie 1995; Morean 1996; Du Gay 1997; Leslie 1997; Grabher 2001; Grabher 2002; Miller 2003; Nixon 2003; Mcfall 2004). Significantly, management studies has also turned to advertising as a source of insight into 'what makes creative organisations tick' (Amabile 1996; Henry 2001). The aim of the current paper is to take one step back from this, and to interrogate the notion of 'creativity' in advertising. Focusing on the UK advertising industry the paper seeks to problematise common-sense understandings of creative advertising, and to argue that 'creativity' in the London based industry is the complex outcome of

the changing governance of advertising, related to shifts in regulation, the organisation of firms and technology.

The advertising industry is locationally very concentrated. It is perhaps not surprising that major capital cities register the presence of advertising companies, it is very common to find advertising agencies grouped in small quarters of cities (for example, Soho in London). The literature might lead one to expect advertising agencies to echo the geography of their clients (Nachum and Keeble 2003). More specialist literature has pointed to a number of organisational and labour market factors that may account for the extreme proximity (Perry 1990; Leslie 1995;1997; Grabher 2001; Grabher 2002).

Although there have been a number of insightful analyses of advertising at a macro scale, it is the exemplary micro-scale analysis of Grabher (2001; 2002) that I want to develop. This work, on the advertising industry in London, stresses the role of organisation (within and across firms), in particular the project based enterprise form, of agencies. Grabher seeks to locate agencies within the complex international governance of the major advertising groups. For this paper the most insightful and innovative element of his work concerns the organisational form (particularly the project based enterprise) and associated practices that articulate agencies together in co-location. Whilst I do not contest this I want to offer a richer setting that can account for how and why such a form arose, and how it fits into a broader scalar context. Like Grabher, I stress the role of regulation and governance in sustaining agency practice.

A different body of literature, that concerned with the organisation of advertising, as with the management studies literature more generally, and latterly economic growth and innovation literatures, has been concerned with the notion of the competitive advantage of 'creativity'. The management and organisational studies literature has sought out exemplars of such arguments more generally in the service sector (Lowendahl 2000; Dougherty 2004). Additionally, a new strand of work specifically addresses the creative industries, especially the case of advertising (Bjorkegren 1996; Lampel, Lant et al. 2000; Jeffcutt and Pratt 2002). Likewise with debates in the advertising literature (Bell 1992; Taylor, Grubbs Hoy et al. 1996), focus on provider-consumer relationships. In this paper I point to provider-provider relationships as a means of monitoring and regulating practice. Analyses of the advertising industry commonly explore the question of the 'source' of creativity, which is either located in individual genius, or organisational forms. My paper seeks to critically address this point in a novel manner by turning the question upside down: creativity is seen as an outcome or effect rather than as a cause.

## Methodology

As a way into offering an account of how advertising is practiced I began with the agency itself and inquired of them what they did. I interviewed creative directors from eight agencies in London. Creative directors were chosen because I wanted to address the role of the creative function in advertising; it became clear that interviews with media companies as well might have shed

more insights into the future directions of the industry. This is a topic for further research. The selection was biased to those companies that had notable success with creative advertising. Of course all advertising is 'creative'; however, my particular concern here is with agencies that use innovative content in their adverts. These are characterised by the construction of narratives within the advert, the use of irony and humour; sophisticated cinematography, animation and high quality graphics. They can be distinguished from 'ordinary adverts' that simply list or illustrate products and prices.

The interview schedule covered issues such as the agency history and current business, its organisation and the operation of the 'creative' team(s) and their relation to other functions. Interviews lasted about 1.5 hours and took place in the agency's offices. A sample of 'creative award winning' advertising agencies was selected stratified by size and organisational network form. The interviews were recorded and transcribed. The interviewees and their companies were anonymised for the purposes of analysis; a number indicates interview quotations. They were grouped as follows: small independents (sole function creative agencies) (1,2,3), members of an independent network (larger agencies with multiple functions linked to others via an alliance) (4, 5), and, members of one of the major advertising groups (6,7,8). The interview material was supplemented by wide reading and monitoring of the trade press (Campaign).

## **2. The basics of advertising agencies**

## Agency organisation

Put simply, advertising agencies produce adverts. However, some agencies may produce the idea, and others realise that idea and purchase the media time/space. Moreover, agencies can run a campaign in one or many media (newspaper and magazines, posters, radio, tv, film, internet and direct marketing), and/or many territories, targeted at one or many sub-groups of the population.

Until the mid-1970s in the Full Service Agencies (FSA), agencies that are vertically integrated and take the client from idea to final advert were the norm. In addition, although out with the analysis presented here, there are also many large companies, especially in the beauty product field, have in-house advertising functions. The focus of this paper is on the changes subsequent to the last 25 years as agencies have outsourced functions to specialists. The means of remuneration is somewhat unusual in the advertising industry: an advertiser pays the media company (where the advert will be displayed or broadcast) and the media company rebates back a standard 'commission' to the agency; the agency meets its costs, and makes a profit from the 15% commission on the media costs. Under this system independent, single function, media brokers or creative agencies were forbidden. There was little if any transparency of costs within the agency from the client's point of view; moreover, the remuneration for the agency was pegged to the price of media, not to the actual work done. In the last 15-20



years the old form of regulation and the commission system has been eroded and been replaced by fees based work which is considerably more transparent. The fees generally charged are now closer to 8-9% of the total budget (compared to 15%).

The classic FSA was divided into a number of functions or disciplines. The key disciplines are media planning, account planning, creative and management. Creative teams are responsible for devising the advertisement, copy-writing, and actually making the advert. Media functions involve buying time on television, or a billboard site, and the planning and timing of this aspect of a campaign. Account planning involves the management of the contract and its delivery on time and budget. General management is self explanatory and is usually where overall agency strategy is controlled; it is usually made up of heads of the major functions. As FSA's have broken up, new independents have specialised in specific disciplines. The main independent agencies have focused in either media planning or creative functions.

Medium and large agencies will have a number of creative teams working on individual accounts: these creative teams must also interface with media and overall campaign/account planning (which may include market research and brand management). In larger integrated agencies the 'creatives' have a different culture and physical location from the rest of the organisation; they work in a less formal manner, keep different hours and generally consider themselves to be the star players in the firm and the industry. The notion of

'creative hubs', or separate offices for creative functions, was initiated has in the 1960s linked to ideas about the exercise of creative freedom and expression (see Warlaumont 2001); this can be contrasted with the traditional hierarchical organisational forms favoured by accounts or media planning disciplines. It is not too strong to say that there is an enduring oppositional culture between the 'creatives' and the 'suits' within agencies. From the point of view of the 'creatives' the lifeblood of the agency is considered to lie in the creative team with the other functions are either considered inferior or unavoidable evils.

In larger agencies, the spatial separation echoes the functional separation; in smaller agencies it is common to find everybody in one large room. This is more than a matter of simple size or lack of space. Some agencies have sought to make a virtue of the 'creative and mould breaking' practices by having no job titles and everybody hot-desking {Law, 2003 #320}. Others have sought to work more closely with one another to gain competitive advantage.

### **What is it that agencies do?**

One of my interviewees expressed the view that the objective of agencies is to

*"...make money for the clients, make themselves famous, and have fun." (1)*

A key step in winning a client account is 'the pitch' where several agencies are invited to respond in person to the advertiser's brief. Agencies are not traditionally paid for their pitch. The pitch is the opportunity for an agency to demonstrate its potential to add value to a product campaign or to a client; final selection is not made on cost (which is itself unclear at this stage), rather on the strategy and mode of presentation of the campaign. Major companies change their agencies with remarkable frequency (every 20 months) making the pitch and campaign cycle continuous for an agency with several clients.

A typical pitch would be where

*"...the creatives get ninety-five percent of the pitch and media just five percent, and then it is at the end [of the pitch]. Obviously, media don't like it, as ninety percent of the cost to advertisers is the media cost... We are a creative agency. When we pitch against the boring agencies we just show that creativity works – it sticks in the mind, it helps build the brand and projects a feeling about a product. It's like a picture is worth a thousand words; it's more than x is cheaper / better than y...we're about brand management".(5)*

For agencies the pitch is but one part of a difficult relationship with a client, which may result in them earning £0.3 million in a 2-3 week period. Such a relationship commonly requires close and regular contact between the client and the agency to discuss whether the campaign 'feels right'. Such a judgement draws upon a range of diffuse aesthetic judgements, as well as

company internal politics and image. Not surprisingly a key issue is the development of a significant degree of trust between the parties. The formal stages are:

1. *“The pitch*
2. *The sign off*
3. *Working up the idea*
4. *Decision on content and campaign*
5. *Budgets*
6. *Making the advert”*. (8)

The ‘sign off’ is where the client agrees on the proposal; however, there will be another meeting to decide the final content. At this stage aesthetic, business and brand values are negotiated as well as market research findings. Thus, the data, though ‘accurate’, is often used in a rhetorical manner by both sides. Finally, the budget is fixed and the advert made. Primarily, the agencies stressed the need to gain the trust of a client.

For example,

*“As a small agency we can offer a one-to-one relationship with a client. This helps, as the buyers for advertisers and us are the same age [late 30’s]; we share similar backgrounds and culture... they just get it [advertising ideas]”, (3)*

*“we need to be as [physically] close to our senior clients, and the top CEOs, as possible, as they have the final say: it’s a matter of building trust”. (2)*

*“Part of our job is to create a client culture of embracing risk, only then will they be prepared to make the ‘leap of faith’ that enables real creative adverts to be made”. (5)*

In the past, when the power of the creative agency was at its height, clients would be more or less told what they were getting in their campaign. One of my interviewees told me that in the 1970s a well-known agency that he worked for actually rejected client x (a major car manufacturer) when they insisted on a change in the creative strategy.

*“It was a period of arrogance – we were the creative agency with all the talent and we were burning a new path. We had the x account, and had had it for some time; we were developing it. We had worked up a campaign for the European branch and they sent a US vice president and he came and told us what to do. We were furious. So we dropped them; we felt that they had compromised our [the agency’s] creative vision”. (8)*

Of course, the current climate for advertising agencies has changed, and as I will point out, the organisational power structure has shifted. In such a swiftly moving and uncertain climate one can see the rationale for developing the

notion of banding to sustain agencies. Implicit in the notion of Brand Management is the idea of nurturing a long-term relationship between the agency and the client which obviously creates more sustainable business for the agency through 'lock in'. Brand management is sometimes conceived of as a total package (variously termed 'total advertising', '360 degree advertising', etc.) that extends beyond the product to logos, notepaper and the protection of intellectual property: it may actually involve a restructuring of the whole company.

*"This is the domain of management consultants and accountancy firms...this precisely the territory that we'd like to move in on as it is a vastly more profitable business, that's what we'd like to be doing". (6)*

The introduction of notions such as brand management confounds simple attempts to measure the economic impact of advertising. A basic measure of increased sales over a campaign does not capture the longer-term impacts, or the subtle resonances that agencies seek to create between audience and advert. This is perhaps well expressed by one creative director, who said,

*"Why do we do creative, rather than boring adverts? You have to engage through the heart, not the head. It's self-evidently a more effective use of money".(5)*

The interviewee used this not only as an axiom, but also as a pragmatic response to the short time slot that most advertising represents: the message

has to get through. This is a significant point of view in periods of recession where advertising spend falls, and advertisers begin to question the added value of agency work. I will return to the issue of advertising and effectiveness later.

### **3. Macro-scale perspectives**

#### Growth and change in the advertising industry

I have already suggested that there has been a significant organisational transformation in the advertising industry: how can this be accounted for? This section shows that cheaper adverts are not necessarily the most effective adverts. I want to look at the longer-term trends and to structure the argument around two themes: disposable income, and technology and media.

The growth in advertising is associated with the disposable income that consumers have. However, as important is duplication of products in the market place; advertising's function is both to create consumer awareness and a 'need' for products, as well as to create differentiation between competing but basically similar products. Clearly, the issue is more than one of direct price competition. Advertising seeks to create an image for the product and sell that image to potential consumers; invariably this means narrowing the focus and segmenting markets into particular demographic profiles who have different incomes and propensities to consume. With more and more advertising messages bombarding consumers even these

strategies of segmentation have become less effective, hence the strategy of 'getting noticed'. As noted above, this is the stimulus of 'creative advertising': to go for the 'heart, not the head'. In the UK,

*"...adverts in the 1960s educated consumers [stylistically, to expect more creative content], it created a market expectation. TV ads were boring; TV was meant to be entertainment so we sought to meet that expectation. One thing that really marked us out was the use of humour, and another was the crossover between TV and cinema. We used to use well known cinema actors – it added a touch of glamour".*

(8)

A significant element of competition in advertising in the UK has increasingly been focused on 'creative adverts'. However, this raises the issue of 'why advertising changed in the 1960s'? One response is media and technology innovation.

#### Technology and media

The first medium of advertising was the poster, and later the newspaper. Modern creative advertising is first found in the use of narrative to sell cleaning products (hence, the concept of a 'soap opera'). Recent technologies - film and TV and finally the internet – have facilitated further developments. In the UK it was the advent of commercial television broadcasts (1955) facilitated by legislative change that created the first major platform for creative advertising. Advertising funds commercial TV, so, clearly their



histories are closely entwined. Self-regulating advertisers developed guidelines with broadcasters on the timing and placing of advertising 'slots'. This new medium was a creative challenge for advertisers: to use a 30 second media slot to convey a message (which is twice as long as the general 'spot' in the USA): hence, the focus on the 'heart' not the 'head' as a means to get the message over. The creative bar was raised again with the innovation of colour supplements for Sunday papers (1961). The quality paper and superior colour printing was literally a new canvas for agencies to work on; later on in 1967 colour TV stretched horizons once again. Film advertising has played a relatively minor role, due to small audiences in the 1970-1990s. In fact, the latest innovation, web-based advertising (2000), now exceeds film in terms of direct advertising spend (Campaign 2004).

Whilst important, the development of advertising channels/media and the growth in disposable income is only part of the story, as has already been hinted at regulation (setting the rules of the game) is equally important. The relevant regulatory rules do not only concern what can or cannot be seen in adverts; they also involve a set of business organisational concerns. It is to these issues that we now turn.

#### Self-regulation (on and off screen)

The UK advertising industry is 'self-regulating', meaning that it has a voluntary code of practice concerning what gets on the screen/poster/page: perhaps summed up by the Advertising Standards Agency (ASA) in their

popular slogan as 'legal, honest decent and truthful'. The ASA has managed to remain outside of government regulatory control; it has a self-regulatory structure for TV: the Broadcast Advertising Clearance Centre. However, the Government does have regulatory control of the media itself. The Independent Television Commission (ITC) was established in 1990 in the Broadcasting Bill. In 2004 the ITC was swept under the umbrella of the new Ofcom agency (the communications regulator). There has been direct topic regulation (echoed by self regulation) of broadcast advertising concerning sex, children, alcohol and cigarettes. However, beyond this the ITC has a complex schedule of regulation that determines the differentiation of adverts from programmes, and the length, frequency and planning of adverts that effectively has created the norm of the British 30 second advert slot. More recently, the ITC has allowed sponsorship of particular programmes; once again there are precise rules about timings, placing of logos and strap lines. However, the regulation of content and practice is only part of the institutional shaping of advertising. Arguably more significant are the organisational self-regulatory practices of the industry.

#### The full service agency and the commission system

In the UK the FSAs set up a professional association to protect their interests, initially the Association of British Advertising Agents (1917), later changed to the Institute of Practitioners in Advertising (IPA). It set up, in 1932, a recognition system that had a 'no rebating clause' that effectively excluded agents from only offering media buying. The commission system was

enshrined as the standard. In the inter-war period commissions could be as little as 2.5-5%, however by the 1940s they had reached 10% in no small part due to the recognition system, and media (newspaper) competition (Brierley 2002). The advent of commercial TV led to an increase to 15% to cover the 'extra costs' involved in making adverts; this led to newspapers offering the same in order to maintain their competitive position. The important point about the commission system is that it bears no direct relationship to actual production costs. From the agency's point of view this means creative freedom, from the advertisers perspective it means unaccountability. What exactly led to the demise of the commission system? There is no consensus and at least three accounts can be considered.

Brierley (2002) argues that the commission system began to break up in the 1970s as US advertisers sought to use UK media buyers to find spots for US produced commercials. The means by which this was achieved was through the creation of 'media independents' that took the full commission from media, but rebated 10-12% to the client; thereby undercutting the full service agents. Brierley further argues that many of these new 'independents' were 'fronts' of established but small full service agents who received a share of the commission. In part, this weakening of the established system was a result of the mid-1970s economic recession. It allowed clients to recycle old art work and place it through the new independent media agents.

A second argument concerns The Restrictive Trade Practices Act (1976) which effectively outlawed the fixed commission system as anti-competitive

and monopolistic. The result was that the market was opened up to specialist agencies to take business from the full-service agencies. Rates of commission could be negotiated, and very quickly the idea of fees came in. In a fees system the commission is 100% rebated to the client and a fee negotiated on a flat rate, or by results. Cowen and Jones (1968) note that 76% of agency income was commission based in 1965. The WPP annual report (Sorrell 2002) notes that fees now represent 75% of their revenues; and commission where applied is at levels of 12%, or fees of an equivalent value. (Brierley 2002) claims that by the year 2000 there were no significant full-service agencies operating in London.

A third account is suggested by the role of the Incorporated Society of British Advertisers (ISBA). In recent years ISBA has been influential in fighting advertisers case against the FSA through means of study of the basis of remuneration and media audits. Comparative media costs in Britain are high; placement costs (a high proportion of total costs) are 64% higher than international comparators (Harper, 1988). Between 1981 and 1991 TV (media buying) costs rose by 55%, but production costs increased by 97%. Agency profits were claimed to be about 30-35%: it is not surprising that the ISBA's initiated scrutiny of costs has led to changes (Isba 2003). They point to instances of 40% mark up on production costs of adverts by agencies when charging clients and that discounts gained from media clients were not being passed on to advertisers (see Nixon 2003). The net result is that under such a regime single function creative agencies either have few opportunities to make large profits, or to experiment with more challenging adverts.

The rise of the independent agency and the contrasting fortunes of 'creative' and 'media' functions have come about in the wake of the unravelling of the commission system. The net result has been a tectonic shift in the advertising landscape. Creative teams and agencies so central in the past have been increasingly scrutinised and challenged by more profitable media buying functions. The key to understanding the new terrain is to consider media buying more closely.

## Media

An agency must obtain a media spot in order to display an advert. Traditionally, this was done in house on a case by case basis. Until recently the accepted point of view was that the UK media market was 'too sophisticated' for bulk buying of media slots contrasting with what happens in many other countries (Campaign 2004). This 'sophistication', another way of pointing to the complex fragmentation of media ownership in the UK, is in large part an inheritance of the original structure commercial TV. The consequences of the recent merger between the two dominant players, Carlton and Granada, in 2003 may in time change this and facilitate bulk buying and selling of media time. In addition, there is a structural difference: British modes of media buying are different to those of the US where advertisers book spots up to a year in advance. In the UK the market is open until the day before broadcast when a spot can be out-bid by a competitor (Bradley and Thorson 1994). The recent growth of media independents and

mergers of media buyers suggests a shift toward the importance of scale and 'bulk buying' in the wake of media company mergers.

It is a commonly held view that creative agencies are the classic independent agency; in fact media agencies were the innovators. In 1980 there were 30 media independents; between 1986 and 1991. (Brierley 2002) reports that a Coopers and Lybrand/Media register study noted a 184% growth in the media independents share of business from full service agencies. However, the apparent loss to full service agencies has been compensated by a complex realignment of the super-groups. For example previously FSA's Saatchi and Saatchi and Bates Dorland (whom Saatchi and Saatchi previously owned) hived off their media buying function to Zenith (now Zenith Optimedia); most other networks did the same forms of horizontal integration and vertical disintegration. (see Diagram 1). This is characteristic of a shift toward the creation of a 'central buying unit' for media agencies within a group; further underlining the shift towards 'bulk buying' in the UK advertising market. The first three media agencies with current central buying points to emerge in 2003 were: Magna Global UK (Interpublic), Group M (WPP), and Aegis Media (Aegis Group). It is notable that Aegis is the only 'media' function major independent from an advertising agency network.

\*\*\*\*\*Diagram 1 about here \*\*\*\*\*

At the other end of the size spectrum further changes can also be noted. A number of new smaller media agencies have appeared in recent years seeking direct synergies with the new creative agencies. An example is the media agency Naked that has created a joint venture with a successful creative agency CHI; the joint venture is called 'Naked Inside'. This shift seems to offer a pointer to yet another cycle within UK advertising with media and creative disciplines finding a new accommodation.

So far in this paper I have set out the case for the consideration of particular technical and regulatory factors in explaining the form of the advertising industry in the UK. In the next section I want to highlight the micro-sociological domain and the structures that have co-evolved to shape, and be shaped by, labour practices and labour markets.

#### **4. Micro-scale stories**

It would be wrong to reduce the form and nature of advertising to changes in the forms of regulation or corporate governance, important though these issues are. Such an environment creates conditions and expectations of labour process and practice. It is to this arena that I now want to turn. First, I discuss the role of industry awards and competition as effectively governing the form of creativity. Second, I explore work practices and career progression within the industry.

Peer regard

Etienne Wenger (1998) has described how communities of practice develop around work processes. I wondered if the same could be said of advertising too, and how such communities of practice are manifest. In this case, like many other creative industries, processes such as reputation, and the reflection on the practices of other closely linked professionals through peer regard were a likely candidate (Pratt 2000). Peer regard works most effectively in fuzzy, fast moving, environments that are about 'quality' not 'quantity': industries driven by fashion and consumption changes are a good case. In this sense it could be seen as the process active in situations that have been described as characterised by 'buzz' (Bathelt, Malmberg et al. 2004; Storper and Venables 2004). Peer regard in advertising is a process of checking, scanning and evaluating others against a perceived ideal or aspiration. Compared perhaps to academe where excellence is arguably a more stable notion, in advertising it changes by the week. Thus the need to constantly check and update what is 'good': checking the output of others, as well as the career progress of peers or superiors.

The creative industries more generally have evolved an institutional form to manage the rapid shifts in consumer demand: charts (see Jeffcutt and Pratt 2002). There is an issue of legitimacy here, as can be noted in music where there are a number of competing charts. Whilst charts for adverts do not exist, they are ranked in Campaign and several annual awards. These awards have the trust and respect of creative directors. They range from national awards (IPA/DA and D) to international (Cannes Golden Lions). The Golden Lions



awards are more like the film festival held in the same location where the best artistic work is shown. It is the look and inventiveness common to all award winners that is the defining characteristic. Information is collated for all international advertising awards in the Gunn Report (Musnik 2004). Whilst this report is not methodologically sophisticated it does show that the biggest (in terms of turnover) agencies are not always the most creative ones (see Table 1).

++++++Table 1 here+++

There are problems with the evaluation of advertising awards. For example there is the practice of submitting show reels to competitions that are either not used in a real campaign, or made as a 'loss leader'. However, this would be to misunderstand the process going on here,

*"Awards are the R and D: like haute couture compared to prêt a porter. Creatives [agency staff] want, no, need to know whom and what is currently 'hot'". (1)*

*"I might take a client [advertiser] along just for the party, but they wouldn't understand the awards, it's an insider game. Advertisers are not interested in art, they just want the best sales based on their fee". (2)*

These quotes support the argument concerning the power of peer regard within the community, above and beyond that directed at sales of ideas to clients. Glückler and Armbruster (2003) point to a similar process which they term 'networked reputation' that helps to attract clients. Of course, the publicity from winning awards does help to attract clients, especially for new companies. However, in the advertising case it does seem as if this process works with other 'creatives' (hence 'peer' regard). Moreover, it is suggestive of a strong form of governance of labour market and labour practice.

My point is that peer regard is an emergent means of shaping style and 'creativity'; also, it acts as a strong steer as to what is deemed successful. However, it is only through immersion in a situated worldview that agencies and their staff can identify 'transgressive' or 'creative' acts. Sometimes breaking the rules – for example, of local decency laws - is a means of gathering more publicity and discussion of work. Peer regard is very finely attenuated and the community rules change constantly as to what is, or is not, cutting-edge or fashionable. It is clear that award events are a means of creating new benchmarks as much as they are a means for directors to distance themselves from the 'crowd'. As may be appreciated, such subtle inflections and individual regard of 'style leaders' requires constant updating and cannot be successfully carried on in a mediated fashion. Within and without the walls of agencies the adverts and campaigns are a central source of debate and evaluation. The production credits of 'interesting work' are published in the trade magazine Campaign. The 'party bag' at each award

ceremony contains elaborate summaries of each advert and show reels of all the nominees' work on CD.

Peer regard depends on communications; specifically, it depends on gossip; that is the informal discussion of peers and colleagues in both work and in their personal lives. The contribution, inculcated drip by drip, concerns who is seen with whom; who got, or did not get, the latest big contract; and whom is, or is not, on display in the latest bar and restaurant: this is further fuelled by the fact that so many of the protagonists know one another (see below). An added ingredient is the trade press – Campaign- that also covers these issues both formally and informally (a bit like a celebrity magazine). Thus, the point about peer regard is that it is not enough to be quietly successful (although this is possible); peer regard and the associated talk itself generates success. Arguably, the (small) independent sector requires such circulating knowledge to sustain it and to provide the lubrication for the rapid turnover of people, campaigns and agencies. Moreover, it almost goes without saying that such interactions and monitoring require face-to-face interaction as well as mediated forms.

*“The office environment is key, it makes it difficult to be away on business for any period of time. Clients and staff are easier to attract in Soho. It’s just a matter of commuting time and ease of access. It does make it difficult if you are not here. It helps to be here. Some people get fed up with the ‘fishbowl’ environment and they move out: they don’t stay away for long”. (2)*

This interaction is heightened through personal familiarity that comes with previously having worked with peers. It is to this issue of labour markets that we turn next.

### Work practices and strategy

Informants often referred to their personal career development as an explanation of the operation of the advertising industry. We can usefully see this along two dimensions: training and management.

#### Training

The former concerns access to the industry for members of creative teams. Until recently the advertising industry was not a 'graduate entry' profession; students were commonly recruited from art and design high school or foundation courses (Nixon 2003). There continues to be a culture of 'learning on the job'. As Nixon notes, this has led to the constitution of a particular 'laddish' work culture, as well as one that is self-consciously 'creative'. My informants pointed to the importance of 'job-hopping' to gain a range of experiences (as different agencies tend to work with particular client rosters). A good example is the Collett, Dickinson, Pearce (CDP) agency that was responsible for many of the seminal adverts of the 1970-90 period (for example the surreal Benson and Hedges cigarette adverts, the Hamlet cigar and Hovis campaigns (Salmon and Ritchie 2000). Several informants spoke of CDP as the unofficial 'university of advertising' and reeled off names of

colleagues who had previously worked there. This movement and interchange of personnel is important for skill development, working for a new agency opens up employees to a new client roster and different challenges. It also creates a spatial and institutional embedding of the labour market and sustains a strong sociality of workers across firms. If firms were scattered more widely it would be more difficult for labour to 'job hop'; hence another value of proximity.

Analysing the transcripts I concluded that many of my informants had in fact worked with one another previously in various firms in their careers. Replicated more widely this factor improves the informal exchange of information, and heightens peer regard and competition. It is also a way in which tacit 'ways of doing' and 'ways of being' are passed on. These types of processes will of course be familiar to those versed in the literature on northern Italian industrial districts. Moreover, the short project cycles of a campaign will, as Grabher (2002) suggests, increase reliance on these wider networks to sustain skills.

## Management

To an extent, this process continues at the senior management or creative director level too, although the motivations are slightly different. Informants acknowledged that being a creative director is the pinnacle of an advertising career. This is emphasised by the fact that further progression within an agency means promotion away from the 'front line'. As one creative director noted of the impetus to leave a larger agency and set up on his own:

*"It's partly a psychological moment, of going it alone...I was at that stage in my career, you get too involved in administration. You get status but it's a loss: it's 'take the money' versus 'doing your own thing'. If you stay at this stage you become sad, you lose the buzz of 'hands on' creativity and your autonomy, and so; it's a con really ". (2)*

Given the strong 'creative identity', and opposition to 'the suits', it is not surprising that a common strategy at this point is to set up an independent company with other members of a creative team. Once again, a central location close to competitors facilitates such 'job hopping'. Some echoed the feeling that,

*"whilst setting up an independent company is satisfying, for many it is an opportunity, if successful, at some point in the future they hope to be bought out in a take over and to be able to retire with the proceeds".*  
(8)

#### The strategic uses of creativity

In a very competitive market new start up companies may use a particular style statement to differentiate themselves from the crowd, attract notice as a 'creative individual or team' and thus attract business. The primacy of 'creative teams' within agencies helps to account for how it is possible for a new start up company with no previous business to win a blue chip company

account from an established world-leading agency. In a striking example (although not unusual), an independent creative director said:

*“our first client was Coca-Cola, one week we were working from my kitchen table, the next we had an office”. (2)*

Of course, the team will have won an award or attained notice with a previous employer before they set up on their own. Whilst teams cannot take clients with them, there is a very low barrier to entry as a creative agency. For the advertiser choosing a new company over an established one may save money

*“...it keeps the majors in their toes; commonly the ‘start up’ will seek to undercut the major”. (2)*

For the advertiser this is a ‘win-win situation’ as it can save money and gain kudos (and publicity) by being associated with award winning, cutting edge, ‘hot shop’. They may return to a major later, only to re-negotiate fees lower. Moreover, advertisers like small agencies as they provide them with full attention rather than simply being one of a number of clients. In this sense it is the small agencies competitive advantage.

A key weakness of small companies is their inability to negotiate discounts on media buying. Innovative companies that I spoke to discussed the problem as one of a culture change. Two small independents had been set up not only by

a creative team but with a media person too. In effect, they were a mini-FSA. The argument is that being in media buying can be more creative too. They sought out novel positioning of adverts to access a particular market segment. Even larger agencies acknowledged this point and stated that their success rested upon getting the two disciplines to work together. The challenge on the horizon was without doubt the specialist media agencies with their huge bulk buying and discount power. Many feared that success for these agencies would either lead advertisers to bypass creative agencies altogether. If this were the case, it was argued, then it would change the culture of advertising in the UK totally and creativity would no longer hold such competitive advantage. So far, I have highlighted elements of the regulatory context and the micro scale practices of work. The final part of this section addresses the role of scale and territory.

#### The challenge of scale

The literature presents us with two extremes of the scale of operation of advertising agencies from trans-national to micro-enterprise. First, noting an international ownership of groups, some writers assume that advertising is like any other trans-national with its constitutive production chains that reflect a hierarchical structure. Thus it is easy to fall into the trap thinking that the great ideas are evolved in London or New York and form a template for global adverts. There are examples of this practice; although global brands commonly contract local media agencies to position the adverts; commonly adverts will be changed to suit local cultural and market characteristics. The second insight from the literature concerns the extreme localism of



production; here is the space of project based enterprises and networks that Grabher so clearly describes. Grabher's account focuses our attention of work organisation and function, whilst it has reference to wider context it is under-developed. The other aim of this section is to graft a national context onto Grabher's thesis.

My argument here is that the key lies in the actually existing market, not the idealised market of neo-classical economics, which links the production chains of producers and consumers. These production chains, and their products, are articulated in different ways in national market places. One aspect of this articulation is advertising, and the other is regulation. As we have noted regulation shapes the possibilities for advertising practice and strategy. Thus, I have described the shift from the commission system to fees, FSA to independents. I have also pointed to the regulation of media markets and the constraints market size has on the possibility for bulk buying of time. Also, of the balance that such regulation creates between creative and media disciplines. Moreover, there is the institutional inertia of consumers who expect a sort of advertising package. Linked to this, as I have shown, is the micro institutionalism of the promotion of creativity within and between agencies via peer regard. I believe that this begins to constitute a meso-scale analysis that offers the possibility of a more convincing answer to this question of national embedding.

A further dimension of this explanation can be gleaned from my informants. A common thread running through the drive to set up an independent company,

and to be a 'creative' seems to be some notion of independence. This is also reflected in the comments upon growth and market territory. Smaller agencies when quizzed about growth noted that there was a national market capacity size for a company which is between one half and one third of the market for a product (as there is competition, and agencies can only work for one client in a competing product market). One could take on a greater diversity of clients/products, but agencies tend to specialise. Thus, growth beyond this opens up the challenge of working in another market, another regulatory environment.

*"To expand you either have to attract clients from abroad or pinch them from the local competition. As there have to be several agencies in each product market this is limited. Abroad you don't have the local contacts and trust, nor do you have the legal context and the links with media buying. You can't dip your toe in: it's all or nothing. The best way to expand is to create an alliance or network. However, this changes the dynamic and focus of the agency". (3)*

*"There are three basic kinds of network: a series of alliances, a network of independent companies, and, a group network controlled by one major company". (2)*

The possibility of joining an network elicited responses based upon concerns about creative control and autonomy. The view of those in the independent networks is that they retain control; being part of one of the major groups

leads to international accounting practices and management through cost and profit centres at the (perceived) expense of creativity. A creative director working for a member of an independent network noted that,

*“...membership of a global group, and the politics that goes with it, takes away the creative focus. The major concerns from the accountants at HQ are always about cutting costs to the detriment of creativity: they just don’t understand”. (5)*

Of course, the groups argue that their market advantage is the global scope and the central resources.

## **5. Conclusion: Governance and the advertising industry**

This paper has argued that there are two identifiable themes in the recent restructuring of the advertising industry in Britain in the last 25 years. The first is the common theme of macro-scale restructuring and internationalisation. The second is a micro scale re-organisation based on project-based enterprises. The complex interaction and adjustments were viewed through the lens of governance. Governance not only provided a template for the meshing of the micro- and the macro-, but also alerted us to localised ‘effects’: in the London case that of ‘creative advertising’. I sought to caution about the directionality of causality, challenging the norm of stating that local creativity is the explanation of the form of advertising.

A critical shift in governance of the advertising industry can be identified in the UK, that of the demise of the integrated FSA and the rise of the independent (functionally specialised) agency. This structural change has been driven by the economic pressure to cut costs, and to be transparent and accountable, by the advertisers. However, this is not the whole story, in tandem there has been a change in the governance of the agencies to facilitate the establishment of media planning and selling functions. Thus governance is conceived of as a meshing of self-regulation, indirect regulation (in this case broadcast regulation), as well as local market norms of 'creativity. I have argued that much of the attention both academic and trade press related has focused on the independents' rise to fame, as well as their creative success.

However, a significant, but less reported, story concerns the rise of the (sole function) media agencies. The rise of the media agencies themselves was dependent upon regulatory and governance change in the field of broadcasting. In the case of the UK this has led to what was once a fragmented and difficult to manage media market (structured by the regional franchises of independent TV broadcasters) being amalgamated into a bigger national market.

This complex matrix of economic pressure, local markets, and territorial legal and regulatory norms has delivered a number of organisational outcomes and created a particular focus of UK advertising on competition via 'creative' output. The paper points to the variety of forms of 'markets' depending on historical forms of legal control, economic structure, relationship of agencies

and the dominant organisational forms. In the UK the dominance of the FSA and the high cost structure that it facilitated led to competition being of a creative variety, and, the creation of an audience expectation of 'creative' adverts. Whilst many of the market structures have shifted to what might be regarded as a more normal 'price competition' advertisers and the agencies are stuck with a cultural lag, where by consumers expect creativity.

From the advertisers point of view the 'creative' advertising system has been fuelled by a high cost environment, a lack of transparency and accountability. This particular mode of governance has created the need for close and frequent relationships between the advertiser and the agency to negotiate the content of adverts and campaigns. In order to be more creative agencies have needed to gain trust (and autonomy) of advertisers. In part, physically close linkages and frequent contacts achieve this; in other part it is sustained by reputation. Reputation is a significant form of micro governance within the advertising industry. The industry itself organises many awards for 'creativity' that acts as a showcase for their product. However, interviews pointed to the significant role that such awards, as well as a more everyday 'learning by watching others', plays in the organisation and development of a particular taste, or fashion, amongst creative teams.

The training and career structure of advertising was shown to be based upon learning on the job, and on frequent moves of employment. In part this necessity placed a tight-knit locational form on the industry. This has also led to much individual rivalry and poaching of stars for 'dream teams'. Within the

career structure of advertising directors there was shown to be a significant driver for personal autonomy and fortune; filtered through a desire to remain a practitioner and to avoid becoming a 'suit'. This structure facilitates the 'churn' of small agencies that has been characteristic of the UK industry.

One can make a significant case for the complex matrix of historical forms of agencies in the UK, the changing market structure (that is fragmented), technological change (new channels for TV), as well as organisational shifts (in part regulated or governed by the industry), and regulation (broadcast regulations regarding the form and content of adverts) as well as consumers (as an 'educated' market) as producing a particular cultural and economic form of UK advertising. This is a form that does not export well to other markets or nations.

The UK advertising industry is dominated, but not exhausted by, London. Regional agencies are sustained by regional markets (regional newspapers, TV and radio); national campaigns are dominated by the London agencies. Part of the tension here is that the London advertising village sets the rules; regional agencies are, structurally, always going to be parochial.

The close coupling of agency organisation and labour markets has been propagated in a climate of a constant refinement of what is a 'creative' advert. A keen element of 'peer regard' has become vital for practitioners in order to respond rapidly to minute changes in style. This is supported by an active social world in and outside of work, as well as the social relationships

facilitated by multiple job movements. As noted above, all this is facilitated by a co-location of agencies. The old adage of 'keep you friends close, and your enemies closer still' might describe the pattern.

## **Acknowledgements**

The author would like to thank the creative directors concerned for giving of their time so generously. I would also like to thank Dr Nobuko Kawashima for initiating a joint project on Japanese, US and UK advertising on part of which an earlier version of this paper was based. Thanks also to the Denstu Human Research Foundation, Tokyo, who provided funding for the overarching project. I would also like to thank the reviewers of this paper for a number of suggestions that helped to refine this paper.



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Rank	Agency	POINTS
1.	Wieden & Kennedy (U.S.)	165
2=	Dentsu (Japan)	150
	Abbott Mead Vickers BBDO (U.K.)	150
4.	BMP DDB (U.K.)	148
5.	Lowe (U.S.)	116
6.	Bartle Bogle Hegarty (U.K.)	107
7=	Arnold Worldwide (U.S.)	106
	Saatchi & Saatchi (U.K.)	106
9.	TBWA London (U.K.)	101
10.	Fallon (U.S.)	100

**Table 1:** Agencies Ranked by Creative Prizes Won Worldwide  
(1999-2003)

Source: (Musnik 2004)

Key

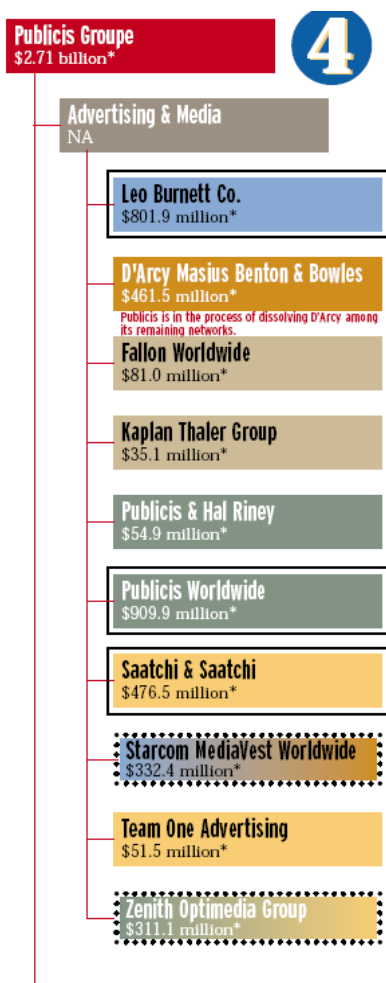




Diagram 1: Organogram of Publicis Groupe group. Source: Advertising Age (2003)

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